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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

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Final Communiqué

33rd Annual Conference of the International Organization of Securities Commissions (IOSCO)

The 33rd Annual Conference of the International Organization of Securities Commissions (IOSCO) has concluded in Paris. The conference, which took place at the Palais de Congrès Conference from 26-29 May 2008, brought together the world's securities regulators and members of the international financial community for a series of high level meetings and panel discussions focusing on the issues of the day.

This year's conference which attracted more than 750 delegates from around the world including representatives from more than 100 countries and the global financial industry was hosted by the Autorité des marchés financiers of France.

The conference was officially opened by Mrs. Christine Lagarde, Minister of the Economy, Industry and Employment. In her opening remarks to the Conference, Mrs. Lagarde said:

“You are playing a key role in the field of international regulatory co-operation and IOSCO is showing outstanding results, such as the elaboration of the code of conduct related to credit rating agencies, or the work done by your organization on the exchange of information.”

The Chairman of the Autorité des marchés financiers, Mr. Michel Prada, echoing this sentiment said:

“Reflecting on what IOSCO has achieved since I joined the organization in the mid nineties, and our reaction to the current turmoil, I believe that we can be proud of our achievements.

“Bearing in mind the global nature of our organisation, the great diversity of our market systems, of their respective size and levels of sophistication, of our legal and cultural environments, and the status of this non governmental body, it is quite impressive that IOSCO has become today the unchallenged standard setter in the field of securities regulation, and the leading institution to foster international cooperation between securities regulators and with our fellow organisations.

“Recent events have shown that, today, financial markets are truly global. After a decade of fabulous development in emerging markets, never ending modernisation, reorganisation of market infrastructures and product innovation, rapid growth of cross-border activities and flow

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of capital, regulators now need to cope with this new reality and to speed up their process of standardisation, mutual recognition and operational cooperation.”

The Chairperson of the IOSCO Executive Committee, Ms Jane Diplock, said

“The last year has been a challenging one for IOSCO and has seen the organization contribute significantly to the regulatory response to the ongoing credit crisis.

“From our perspective it is critically important that regulatory frameworks keep abreast of today’s rapidly changing markets, and that these continue to promote investor protection, transparency and efficiency across borders.”

At the conclusion of the conference, IOSCO outlined the issues which represent the organization’s main areas of focus at this time including:

IOSCO Memorandum of Understanding

The organization expressed satisfaction that considerable progress was being made against its target of seeing all member regulators signed on to the IOSCO MOU before 2010. Adopted in May 2002, the IOSCO MOU provides for improved enforcement related cooperation and the exchange of information among regulators. It represents one of the organization’s most significant contributions yet to delivering on better regulatory cooperation and more effective cross-border enforcement. IOSCO’s Regional Committees, assisted by the General Secretariat, have worked alongside jurisdictions in their regions to encourage the necessary actions to join the IOSCO MOU.

There are currently 48 IOSCO members who have signed the MOU and during the IOSCO Conference Thailand was welcomed as a full signatory to the MOU, moving from Appendix B to Appendix A.

IOSCO continues to monitor the progress of each member, currently 15, listed on Appendix B as they seek to make the transition to become full signatories. El Salvador became a signatory to Appendix B during the Annual Conference in Paris.

IOSCO remains committed to meeting its objective to have all members signed up to the MOU, or committed to signing it through listing of Appendix B, by 2010.

There has also been strong leadership in the Emerging Markets Committee and a Regional Seminar was held on Cooperation and Exchange of Information for securities supervisors from Eastern and Southern Europe. This event was hosted by Polish Financial Supervision Authority.

The purpose of the Seminar was to promote the cooperation and exchange of information between securities supervisors from Eastern and Southern Europe, and to encourage those who had not applied to become a signatory of the IOSCO MOU.

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Related to these developments is the *IOSCO MOU Assistance Program* which aims to help members throughout their application process. The Program which is coordinated by the IOSCO General Secretariat provides experienced specialists to work with members requiring technical assistance in order to help them conform to the necessary international regulatory standards. This will be a key focus for the organization over the next 2 years.

To date a wide range of members have or are currently in the process of benefiting from this Program. Third party funding for the Program, in particular from other international financial institutions including regional development banks, is being explored and has successfully been secured in several instances.

Implementation of IOSCO Objectives and Principles

The *IOSCO Objectives and Principles of Securities Regulation* (IOSCO Principles) were endorsed by the organization in 1998. Their objective is to encourage jurisdictions to improve the quality of their securities regulation. They represent the principal international benchmark on sound prudential principles and practices for the regulation of securities markets.

As the full implementation of the IOSCO Principles in every member jurisdiction is an important operational priority for the organization, a *Principles Assessment and Implementation Program* was launched in 2005. This Program essentially helps jurisdictions adopt and implement the IOSCO Principles. Since the launch of the Program numerous members have successfully benefited with assessment programs having been completed or in the process of being carried out in Costa Rica, Malaysia and Tunisia.

At this time, IOSCO acknowledges that the level of demand from members for assisted assessments as part of the Program far exceeds available resources. In response, the organization is currently exploring options to ensure that more technical assistance is available to work with the members.

The Implementation Task Force and the General Secretariat are endeavoring to identify new assessors, with the view to inviting those individuals to the Assessors Workshop planned for 2008. The Workshop is being organized by the Implementation Task Force, with the support of the General Secretariat and hosted by SEBI, India in Mumbai on 2-4 December 2008. The training session will provide a forum to exchange ideas and experiences between experienced and potential assessors on the assessment of the implementation of the IOSCO Principles, either when using the IOSCO Methodology to conduct an FSAP or an IOSCO Assessment. The focus of the discussion will be on the practical tools that the assessors need to know and understand when using complex documents such as the IOSCO Methodology and other IOSCO documents.

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Initiative to Raise Standards of Cross-Border Cooperation

The IOSCO Contact Initiative with under-regulated or uncooperative jurisdictions continues to be a priority focus, and good progress has been made with a number of previously unresponsive jurisdictions.

The objective of this work is to assist each of the identified jurisdictions to make genuine improvements in the level of cooperation they are able to offer their international counterparts in relation to information sharing.

A number of these are expected to apply to join the IOSCO MOU shortly. While some contacts have been constructive there still remain a number of jurisdictions which require further attention.

Dialogue with Financial Services Community

The Technical Committee began a dialogue with financial market stakeholders in 2007 in order to gather views from market stakeholders on possible future IOSCO work. The aim is to facilitate convergence and harmonisation of supervisory practices; and to work with stakeholders on identifying possible market weaknesses to better anticipate regulatory issues.

Following meetings in Madrid in March 2007 and in Tokyo in November 2007 with representatives of financial market stakeholders, a formal meeting was held with the industry on 20 March 2008 in Paris. The meetings have been very productive in identifying broad themes for our ongoing discussions on regulatory issues. As well as the regular meetings the Technical Committee's standing committees and task forces will maintain the dialogue with stakeholders in the course of their discrete projects.

This dialogue is essential for establishing principles and standards that respond to the challenges of an ever-evolving market, to the risks that might arise and to better regulation. Moreover this dialogue is crucial for improving the implementation process of international principles

Task Force on Credit Rating Agencies

The Technical Committee Task Force published, on 28 May 2008, the final report containing amendments to the *Code of Conduct Fundamentals for Credit Rating Agencies* (Code of Conduct).

The changes to the Code of Conduct have been introduced following a public consultation process involving regulators, credit rating agencies (CRAs) and financial market stakeholders. These changes are intended to address issues which have arisen in relation to the conduct of CRAs in the development of market for structured finance products and the recent subprime fallout.

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The amended Code of Conduct will assist CRAs in strengthening their processes and procedures to protect the integrity of the ratings process, help ensure that investors and issuers are treated fairly and safeguard confidential material information provided.

The Task Force will continue to discuss the manner in which regulators should check for compliance with the IOSCO Code of Conduct and report its findings to the Technical Committee at its next meeting.

Task Force on Subprime Crisis

The final report of the Technical Committee's Task Force on the Subprime Crisis was published on 28th May. The report contains an analysis of the underlying causes of the subprime crisis, the implications for international capital markets and recommendations that address the issues facing securities regulators.

The report focuses on the market for structured finance products and the specific areas where failings were identified by the task force in November 2007. The paper contains a comprehensive analysis of the particular problems encountered in four key areas and contains recommendations by the Technical Committee for future IOSCO work to address these issues in the following three areas, being:

- Issuer and market transparency and investor due diligence;
- firm risk management and prudential supervision;
- valuation and accounting issues.

The Credit Rating Agencies Task Force has completed its work on the roles and duties of credit rating agencies.

The Work of IOSCO's Committees and Task Forces

IOSCO's Annual Report contains an updated report on the work of IOSCO's committees and taskforces.

IOSCO Elections

A number of elections took place during the Conference.

- Technical Committee

Mr. Christopher Cox, Chairman of the Securities and Exchange Commission of the United States of America was elected as Chairman of the Technical Committee while Mr. Hans Hoogervorst, Chairman of the Executive Board of the Autoriteit Financiële Markten of the Netherlands was elected as Vice Chair of the Technical Committee.

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The Technical Committee comprises fifteen ordinary and/or associate members that regulate some of the world's larger, more developed and internationalized markets. A key objective of the Committee is to develop practical responses to major regulatory issues relating to the operation of securities markets and to establish principles and set standards.

The Technical Committee has approved for publication the following reports:

Task Force on Private Equity Final Report

Contingency Planning for Events and Conditions Affecting Availability of Audit Services

Final Report on Funds of Hedge Funds

An Experiment Within the Technical Committee Standing Committee on Investment Management to

Establish a Framework for Identifying Strategic Priorities – Final Report

Review of Regulatory Issues concerning Real Estate Funds

- Emerging Markets Committee (EMC)

Mr. Guillermo Larrain, Chairman of the Superintendencia de Valores y Seguros was elected as Chairman of the Emerging Markets Committee while Ms. Zarinah Anwar, Chairman, Securities Commission of Malaysia was elected as Vice Chair.

The EMC is composed of ordinary members from the world's emerging markets. It has as a core objective to develop practical responses to major regulatory issues relating to the operation of securities markets in emerging markets, to establish principles and set standards for these markets, to prepare training programs for members and to generally facilitate the transfer of regulatory expertise.

- Executive Committee

Elections also took place for a new Executive Committee. The Executive Committee is composed of nineteen ordinary members and it represents the main policy setting and decision making body of the organization. Following the elections, the Executive Committee is now composed of the following members:

- Mr. Christopher Cox, Chairman of the Securities and Exchange Commission of the United States of America and Chairman of the IOSCO Technical Committee.
- Mr. Guillermo Larrain, Chairman of the Superintendencia de Valores y Seguros and Chairman of the IOSCO Emerging Markets Committee.

The Chairmen of the four Regional Committees:

- Mr. Musa Al-Faki, Director General of the Securities and Exchange Commission of Nigeria and Chairman of the IOSCO Africa & Middle East Regional Committee (AMERC);

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- Mr. Jun Kwang-Woo, Chairman of the Financial Services Commission of Korea and Chairman of the IOSCO Asia Pacific Regional Committee (APRC);
- Mr. Eddy Wymeersch, Chairman of the Banking Finance and Insurance Commission of Belgium and Chairman of the IOSCO European Regional Committee (ERC);
- Mrs Rosario Patrón, Head, Securities Market and Pension Fund of Uruguay and Chairman of the Inter-American Regional Committee (IARC).

The nine members elected by the Presidents' Committee:

Australian Securities & Investments Commission;
Comissão de Valores Mobiliários of Brazil
China Securities Regulatory Commission;
Autorité des marchés financiers of France
Bundesanstalt für Finanzdienstleistungsaufsicht of Germany
Commissione Nazionale per le Società e la Borsa of Italy;
Financial Services Agency of Japan;
Financial Services Board of South Africa;
Financial Services Authority of the United Kingdom;
Securities & Exchange Commission of the United States of America.

The four members elected by the Regional Committees:

- Conseil déontologique des valeurs mobilières of Morocco;
- New Zealand Securities Commission;
- Comisión Nacional del Mercado de Valores of Spain; and
- Comisión Nacional de Valores of Argentina..

Ms Jane Diplock, Chairperson of the New Zealand Securities Commission, was re-elected to the position of Chairperson of the Executive Committee.

Mr Shang Fulin, Chairman of the China Securities Regulatory Commission was re-elected to take up the position of Vice Chair of the Executive Committee.

All these appointments and elected positions are for a two year term.

Admission of New Members

IOSCO is pleased to welcome the following as new members to the organization:

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Central of Custody and Financial Settlement of Securities of Brazil (Affiliate Member)
Taiwan Securities Association of Chinese Taipei (Affiliate Member)
Multi-Commodity Exchange of India (Affiliate Member)
Dubai Gold and Commodities Exchange of the United Arab Emirates (Affiliate Member)

Future Conferences

IOSCO will hold its next Annual Conference in Tel Aviv, Israel from 8-11 June 2009. Thereafter, the Annual Conference for 2010 will take place in Montreal, Canada.

The next meetings of IOSCO's Technical and Executive Committees will take place in Madrid from 16-17 September 2008.

The IOSCO Emerging Markets Committee will meet in Marrakech from 7-10 October 2008 where members will review progress on the implementation of the IOSCO Principles and the challenges related to securities regulation in emerging economies.

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